
BUDGET SUMMARY SESSION REPORT

2014

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Tennessee Legislative Plaza

Tennessee General Assembly

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FY 14-15 Budget Overview

Total Budget

- This budget continues to be conservative in order to face uncertainties with sequester, proposed health care reform and the economy
- The Total FY 14-15 Budget is \$32.4 billion and is 2.4% less than last year's budget of \$33.2 billion

Reductions

- Includes \$153.2 million in recurring base budget reductions

Reserves

- Adds \$35.5 million to the Rainy Day Fund to reach a projected balance of \$491.5 million at June 30, 2015
- TennCare reserves are expected to be \$281.9 million at June 30, 2015

Tax Cuts

- Recognizes increase from \$2 million to \$5 million the maximum single allowable exemption for state inheritance tax on estates of decedents dying in tax year 2015

State Employees, Higher Education Employees and K-12 Employees

- Funds all statutory pay raises for law enforcement, judges, district attorneys, public defenders, attorney general, and TWRA officers
- Continues to actuarially fund the State's retirement program for employees
- Continues the \$50 match for the 401(k) program

Health and TennCare

- Funds increased enrollment expected from the Affordable Care Act "woodwork effect"
- Extends the Hospital Coverage Assessment at 4.52% for another year to maintain hospital payments and medical service levels
- Provides a 1% increase to DIDD providers
- Adds funds to address the requirements of the Brian A Settlement and increases reimbursement rates for residential and foster care

Crime and Public Safety

- Provides funds for expansion of Turney Center Industrial Complex

Education

- Fully funds the BEP and appropriates \$5.6 billion in total funding for K-12 Education

Higher Education

- Increases funding for Higher Education by \$11.5 million and appropriates total funding at \$3.9 billion
- Includes an additional \$10 million for equipment purchases at community colleges and technology centers
- Funds capital outlay projects totaling \$65.4 million and capital maintenance totaling \$63.8 million.

Economic Development

- Includes \$61 million to create new jobs and provide job training and educational opportunities for Tennessee's workforce

Capital Outlay

- Includes \$237.0 million in capital projects and maintenance:
 - \$122.8 million funded with cash
 - \$84.1 million funded with bonds
 - \$129.2 million for higher education

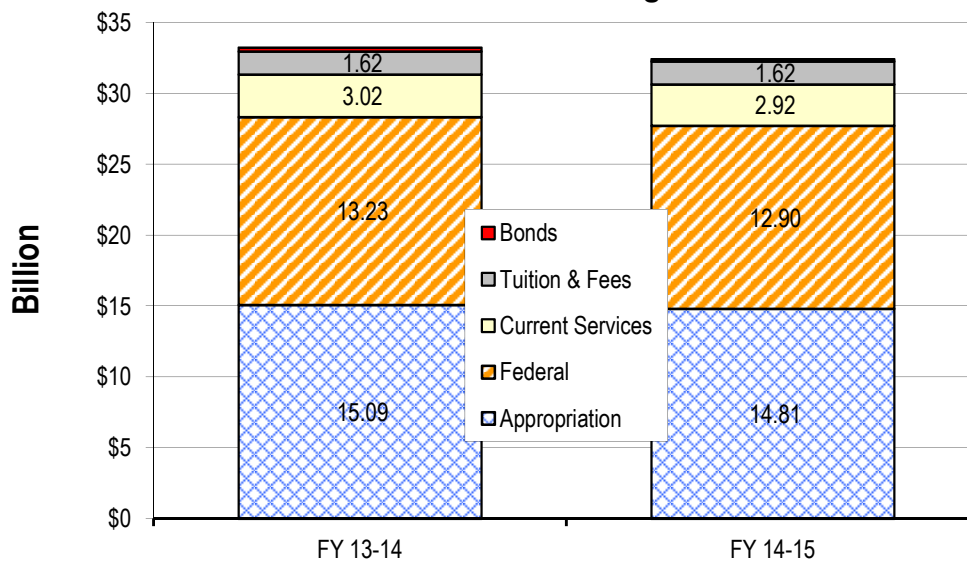
FY 14-15 Final Budget Action

	Est. FY 13-14	Est. FY 14-15	Change
TOTAL	\$33,229,904,820	\$32,428,158,500	-2.4%
Appropriation	15,093,891,420	14,812,017,000	-1.9%
Federal	13,231,687,400	12,903,733,500	-2.5%
Current Services	3,017,744,300	2,924,226,300	-3.1%
Tuition & Fees	1,620,581,700	1,620,581,700	0.0%
Bonds	266,000,000	167,600,000	-37.0%

Preliminary Estimate

Preliminary Estimate

Enacted Budget



STATE BUDGET FUNDING HISTORY - (Excludes Bonds)

	Total (Billions)	State	Federal	Other	% Change
2003-04	\$22.11	9.92	8.70	3.49	
2004-05	\$24.89	11.08	9.68	4.13	12.6%
2005-06	\$25.89	11.66	9.93	4.30	4.0%
2006-07	\$26.03	12.46	9.39	4.18	0.5%
2007-08	\$27.75	13.79	9.56	4.40	6.6%
2008-09	\$29.21	13.54	11.03	4.64	5.3%
2009-10	\$29.68	12.20	12.92	4.56	1.6%
2010-11	\$31.73	12.91	13.97	4.85	6.9%
2011-12	\$31.51	13.63	13.12	4.75	-0.7%
2012-13	\$31.95	14.22	13.07	4.66	1.4%
Est 2013-14	\$32.96	15.09	13.23	4.64	3.2%
Rec 2014-15	\$32.26	14.81	12.90	4.54	-2.1%

Legislation

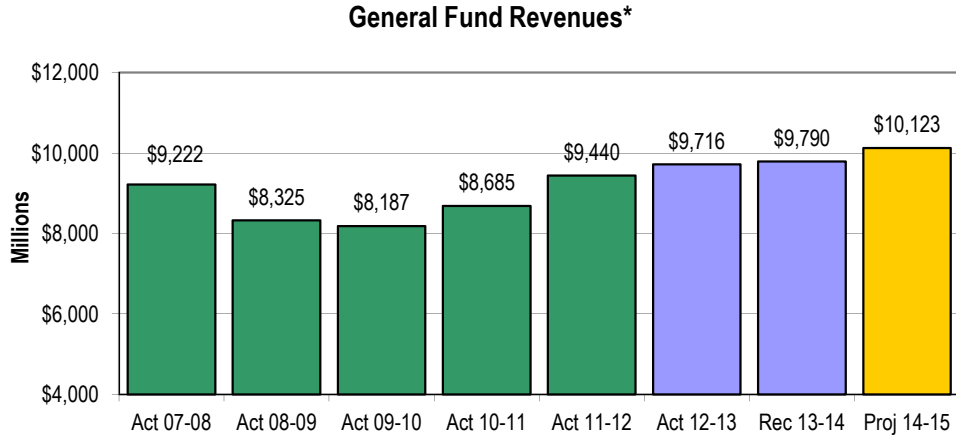
2014 SESSION - NOTED LEGISLATION

	Description	SB	HB	Gen Fund - Fiscal Impact		
				(Decrease) Recurring Exp	(Decrease) Non- Recurring Exp	Gen Fund Revenue
Budget Bills	Appropriation Bill	2596	2501			
	Bond Bill - Issue bonds for state projects	2600	2502			
	Budget Implementation Act	2597	2500			
Property Tax	Property Tax Relief - payments to be paid within the limits of the appropriation.	2599	2503			
Law	New felonies for observing or photographing minor w/out knowledge or parental consent.	579	8	105,100		
Alcohol	Permits wine to be sold in grocery stores - subject to local referendum.	837	610			
Higher Education	Tennessee Promise Scholarship Act of 2014	2471	2491			
Education	Charter School Authorizer	830	702		217,300	
Safety	Payment of \$25,000 to estate of any correctional officer killed in the line of duty.	2268	2228	10,000		
Higher Education	Free course per semester for part-time TBR & UT employees.	1709	1452	6,700		
Safety	Three Star of Tennessee Award - awards for peace officers, firefighters and medical first responders who die or are injured in the line of duty.	1691	1528	1,900		
Safety	Aggravated child neglect - serve 90% of sentence.	1695	2218	43,600		
Human Services	Autism Task Force	2538	2257	1,310		
Human Services	Money laundering EBT cards.	1929	2270	33,900		
Safety	Increases penalty of patronizing a prostitute under 18.	1815	2326	109,400		
Safety	Elevates to Class D felony abuse of mentally and physically disabled.	1852	1768	18,900		
Safety	Prohibits sex offender of adult from being within 1,000 feet of schools, day care center, child care facility park, playground or athletic field.	2090	1972	15,900		
Safety	Redefines serious bodily injury for purposes of criminal statutes.	1690	2177	17,100		
Correction	Authorizes inmates to be eligible for temporary reinstatement of medical assistance for care received outside of a jail or correctional facility in a hospital or other health care facility for more than 24 hours.	2023	1904	36,400		
Revenue	Distribution of gross receipts taxes from mixed drinks - apportionment to local school funds.	1464	1403	46,400		
Annexation	Bans cities from annexing land without a referendum.	2464	2371			
Education	Increases recorded travel on school buses to less than 400,000 miles in the 16th or 17th year of service.	1966	1507	286,600		230,200
Education	Delays implementation of testing associated with Common Core Standards in math and language arts by one year. Restricts adoption of Common Core standards in science and social studies.	1835	1549			

				Gen Fund - Fiscal Impact		
	Description	SB	HB	(Decrease) Recurring Exp	(Decrease) Non- Recurring Exp	Gen Fund Revenue
Education	Permits a local board of education to refuse federal funding without State penalty.	1745	1791			
Education	Changes make-up of textbook commission and increases parental involvement.	1602	2249			
Safety	Permits judges to order a 2nd or 3rd time DUI offender to an inpatient or outpatient substance abuse treatment program.	1633	1429			
Health	Sets monthly and annual limits on purchase of cold and allergy medicines used to make meth.	1751	1574			
Safety	Prohibits use of drones to conduct unauthorized video surveillance of citizens while hunting or fishing.	1777	1952			
Safety	Provides immunity from civil liability for any damage to a motor vehicle from forcible entry to remove a minor child.	2072	1943			
Safety	Authorizes the court clerk to charge \$100 fee for expunctions in addition to the \$350 fee.	2372	2504			
Transportation	Study of monorail public transportation system along Nashville/Murfreesboro southeast corridor.	2515	2340			
Health	Prohibits expansion of Medicaid.	804	937			
Human Services	TANF and parental involvement/responsibilities.	1851	1887			
Safety	Mother can be prosecuted for an assaultive offense or homicide if she illegally takes narcotic drugs.	1391	1295			
Health	Nursing Home Assessment Fee	1872	1783			
Health	Hospital Annual Coverage Assessment of 2014	1908	1950			
Transportation	Requires approval of TDOT commissioner and local government to construct, maintain, or operate any bus rapid transit system.	2243	2156			
Correction	Claims against state for payment of cost relative to criminal cases or expenses relative to housing a state inmate submitted w/in 6 months of either entry of judgment of conviction or date of services.	1616	1412			
Safety	Revises and expands the process for abating gang nuisances.	1634	1430			
Taxes	Removes NBA and NHL players from being subject to the professional privilege tax.	1247	1134			
Transportation	Transportation Fuel Equity Act - subjects common carriers to diesel fuel tax.	2076	1769			
Local Govts	Requires Comptroller approval before issuing any balloon indebtedness.	1512	1446			
Businesses	Requires DLWD, upon election of the employer, to allow an interstate transfer of the employer's experience rating.	1763	1386			
Economic Development	Requires ECD to publish baseline and annual reports on FastTrack grants or loans.	1978	1873			

Revenues

STATE TAX REVENUE



FY 14-15 Enacted Budget

For FY 13-14, final budget action lowered the revenue estimate for the year by a total of \$276 million.
Note: when the FY 13-14 budget was adopted there was an assumed revenue growth of \$349 million.

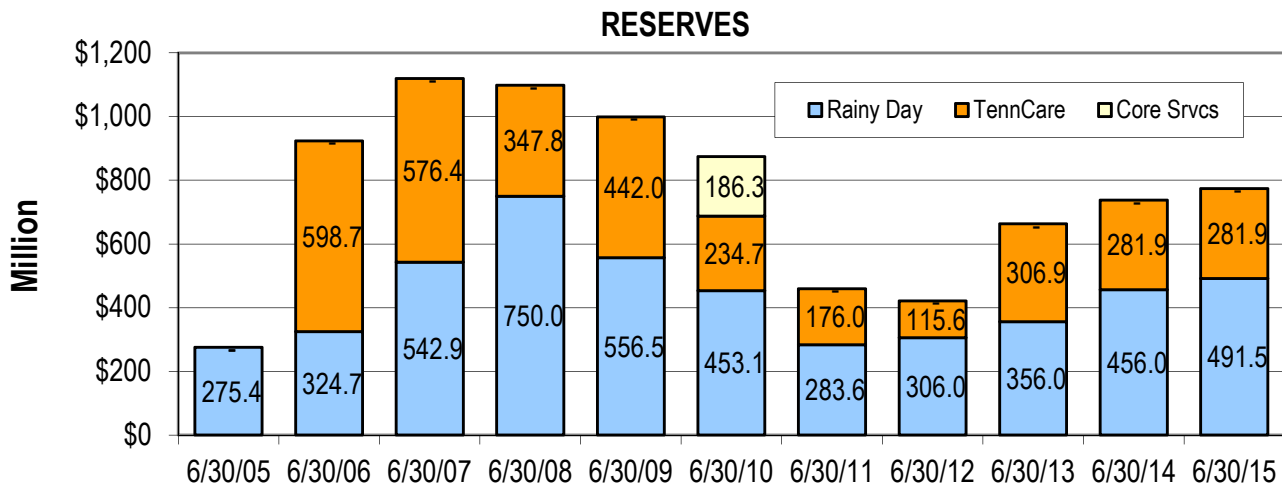
The FY 14-15 budget assumes a revenue growth rate of 3.25%.

* Recognizes reduction in revenues.

Reserves

RESERVES

	Rainy Day	% of GF Rev	TennCare	Core Services	TOTAL
6/30/05	\$275,400,000	3.2%			\$275,400,000
6/30/06	324,700,000	3.3%	\$598,709,645	-	\$923,409,645
6/30/07	542,900,000	5.9%	576,432,467	-	\$1,119,332,467
6/30/08	750,000,000	9.0%	347,832,500	-	\$1,097,832,500
6/30/09	556,500,000	6.8%	442,000,000	-	\$998,500,000
6/30/10	453,065,800	5.2%	234,700,000	\$186,279,600	\$874,045,400
6/30/11	283,600,000	3.0%	176,000,000	-	\$459,600,000
6/30/12	306,000,000	3.2%	115,600,000	-	\$421,600,000
6/30/13	356,000,000	3.7%	306,877,300	-	\$662,877,300
Est 6/30/14	456,000,000	4.7%	281,877,300	-	\$737,877,300
Proj 6/30/15	491,500,000	4.9%	281,877,300	-	\$773,377,300



Salary & Benefits

SALARIES AND BENEFITS

TOTAL - SALARIES & BENEFITS (funded in FY14-15)		\$19,733,200
State Employees		\$9,197,000
	Recurring	Non-Recurring
Salary Increase -0%	-	
401(K) - \$50 match	6,697,000	\$2,500,000
Health Insurance No Increase	-	
Higher Education		\$7,166,600
Salary Increase -0%		
401(K) - \$50 match	5,553,600	1,613,000
K-12		\$0
Salary Increase -0%	-	
Mandated Salary Increases		\$3,369,600
Assistant District Attorneys	1,341,000	
Public Defenders (includes Memphis and Nashville)	743,800	
Post-Conviction Defender	31,800	
Safety Step Increases	815,800	
Training Academy Step Increases	12,800	
TWRA Step Increases	424,400	
Retirement		\$0
COLA - increase effective 7/1/14	1.50%	

Capital Projects

FY 2014-2015 CAPITAL AND MAINTENANCE PROJECTS

	County	Total	State	Bonds	Federal	Other
FY 2013-2014 ADDITIONAL PROJECTS						
General Services						
Tennessee Tower HVAC Upgrades (Planning)	Davidson	\$300,000	-	-	-	\$300,000
Tennessee Tower Drainage Repairs (Planning)	Davidson	\$20,000	-	-	-	\$20,000
Total FY 13-14 Additional Projects		\$320,000	\$0	\$0	\$0	\$320,000
FY 2014-2015 CAPITAL APPROPRIATIONS						
	County	Total	State	Bonds	Federal	Other
Correction						
Maintenance	Statewide	\$24,200,000	-	-	-	24,200,000
South Central Domestic Piping Replacement	Wayne	\$4,950,000	4,950,000	-	-	-
Sub-Total		\$29,150,000	\$4,950,000	\$0	\$0	\$24,200,000
Children's Services						
Maintenance	Statewide	\$2,290,000	1,490,000	800,000	-	0
Economic and Community Development						
Hankook Tire Plant Infrastructure	Montgomery	\$44,400,000	-	44,400,000.00	-	-
Beretta U.S.A. Corp Infrastructure	Sumner	\$8,000,000	-	8,000,000	-	0
Sub-Total		\$52,400,000	\$0	\$52,400,000	\$0	\$0
Education						
School for Blind Building 1-A Fire Suppression	Davidson	\$1,040,000	340,000	700,000	-	-
Environment and Conservation						
Maintenance	Statewide	\$530,000	530,000	-	-	-
General Services						
Statewide Maintenance	Statewide	\$4,200,000	4,200,000	-	-	-
Emergency and Contingency Funds	Statewide	\$6,000,000	6,000,000	-	-	-
Sub-Total		\$10,200,000	\$10,200,000	\$0	\$0	\$0
Mental Health & Substance Abuse Services						
Moccasin Bend MHI Unit 6 Dayroom Addition	Hamilton	\$300,000	300,000	-	-	-
Military						
Maintenance	Statewide	\$4,110,000	1,700,000	-	2,410,000	-
TriCor						
Maintenance	Statewide	\$2,330,000	530,000	1,800,000	-	-
Veterans Affairs						
West TN Veterans Cemetery paving and Irrigation	Shelby	\$880,000	880,000	-	-	-
Veterans Home Board						
New TN Veterans Home - Cleveland	Bradley	\$4,000,000	4,000,000	-	-	-
West Tennessee Veterans Nursing Home Pre-planning	Areawide	\$600,000	600,000	-	-	-
Sub-Total		\$4,600,000	4,600,000	-	-	-
Higher Education						
Maintenance - TBR	Statewide	\$24,360,000	13,460,000	10,900,000	-	-
Maintenance - UT	Statewide	\$39,400,000	21,900,000	17,500,000	-	-
Volunteer State CC Humanities Building	Sumner	\$28,700,000	27,270,000	-	-	1,430,000
Columbia State CC Williamson Co. Relocation	Williamson	\$36,700,000	34,650,000	-	-	2,050,000
Sub-Total		\$129,160,000	\$97,280,000	\$28,400,000	\$0	\$3,480,000
Grand Total FY 14-15 Projects		\$236,990,000	\$122,800,000	\$84,100,000	\$2,410,000	\$27,680,000

Note: Does not include projects funded from FRF, Dedicated Revenues, School Bonds or other Sources

TennCare

Hospital Coverage Assessment Fee

Fiscal Year 2014-2015

Senate Bill 1908 / House Bill 1950 continues the hospital coverage assessment for one year.
This fee raises an estimated \$449.8 million that will be used to drawdown \$826.6 million in Federal Matching Funds to temporarily restore the following reductions:

	State	Federal	Total
FY 2009-2010 Base Reductions Restored:			
Medically Needy Program *	-	-	-
Essential Access Hospital Payments	34,935,000	65,065,000	100,000,000
Graduate Medical Education	17,467,500	32,532,500	50,000,000
Critical Access Hospital Payments	3,493,500	6,506,500	10,000,000
Medicare Part A Reimbursement	12,419,500	23,130,900	35,550,400
Provider Reimbursement and Co-Pay	56,872,100	105,922,000	162,794,100
Sub-Total	\$ 125,187,600	\$ 233,156,900	\$ 358,344,500
FY 2010-2011 Base Reductions Restored:			
Hospital Reimbursement Ceiling	25,596,700	47,672,800	73,269,500
In-Patient Services	39,597,200	73,748,100	113,345,300
Lab and X-Ray Procedures	21,782,500	40,568,900	62,351,400
Therapies	4,634,900	8,632,400	13,267,300
Out-Patient Services	20,494,700	38,170,500	58,665,200
Office Visits	19,246,800	35,846,500	55,093,300
Sub-Total	\$ 131,352,800	\$ 244,639,200	\$ 375,992,000
Other Appropriations:			
Disproportionate Share Hospital Payments	28,305,400	52,717,600	81,023,000
Additional Cost-Based Reimbursement-Critical Acces	6,000,000	-	6,000,000
Hospital Payments - Unreimbursed Costs	158,954,200	296,045,800	455,000,000
Sub-Total	\$ 193,259,600	\$ 348,763,400	\$ 542,023,000
Grand Total	\$ 449,800,000	\$ 826,559,500	\$ 1,276,359,500

* The Medically Needy category is being phased out in FY15 due to the availability of coverage through the Federally Facilitated Marketplace.

Lottery

LOTTERY FUNDED PROGRAMS

(\$s shown in Millions)

REVENUE

	Actual 08-09	Actual 09-10	Actual 10-11	Actual 11-12	Actual 12-13	Revised 13-14	Proj 14-15
Net Lottery Proceeds	265.49	275.98	281.85	310.35	321.60	336.00	345.00
Interest Earnings - Ed Acct	19.96	17.85	18.41	16.55	15.40	12.40	1.20
Revenue (Proceeds & Interest)	\$ 285.44	\$ 293.83	\$ 300.26	\$ 326.90	\$ 337.00	\$ 348.40	\$ 346.20

EXPENDITURES

Scholarships	(259.85)	(282.92)	(297.50)	(309.37)	(314.70)	(310.80)	(328.50)
TSAA Allocation	(6.80)	(6.80)	(6.80)	(6.80)	(6.80)	(6.80)	(6.80)
Pre-K	(24.44)	0.67	-	-	-	-	-
THEC/TSAC Administration	(3.82)	(3.62)	(2.90)	(3.36)	(3.70)	(3.80)	(3.80)
	\$ (294.90)	\$ (292.67)	\$ (307.20)	\$ (319.53)	\$ (325.20)	\$ (321.40)	\$ (339.10)

Surplus/Deficit

	\$ (9.46)	\$ 1.16	\$ (6.94)	\$ 7.37	\$ 11.80	\$ 27.00	\$ 7.10
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Cumulative Balance

	\$ 448.93	\$ 372.79	\$ 356.05	\$ 363.42	\$ 375.22	\$ 402.22	\$ 107.10
Transfer to TN Promise	-	-	-	-	-	(302.22)	(7.11)
Transfer to Energy Efficiency	(77.30)	-	-	-	-	-	-
Unrealized Gain/Loss	-	(9.80)	-	-	-	-	-

Net Balance

	\$ 371.63	\$ 362.99	\$ 356.05	\$ 363.42	\$ 375.22	\$ 100.00	\$ 100.00
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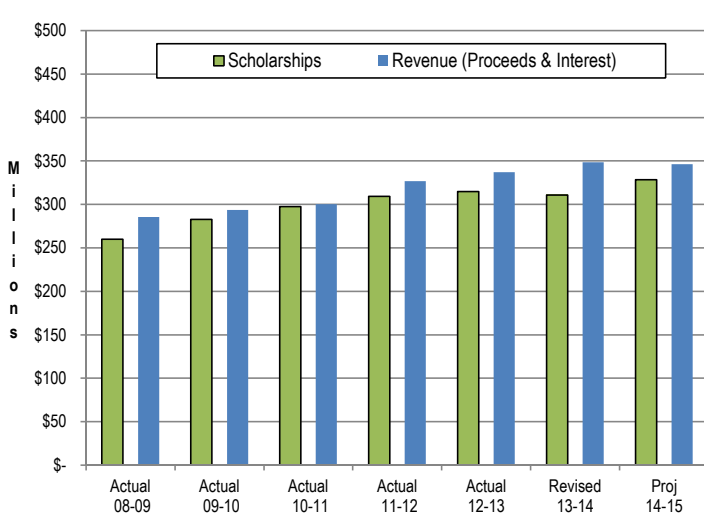
Unclaimed Prize Money - After School Acct

Revenue	14.67	12.89	11.64	13.11	18.19	13.50	13.50
Interest Earnings	0.25	0.05	-	-	-	0.10	0.10
Expenditures	(11.91)	(12.96)	(11.43)	(11.46)	(11.77)	(13.50)	(13.50)
Net Change	\$ 3.00	\$ (0.02)	\$ 0.21	\$ 1.65	\$ 6.42	\$ 0.10	\$ 0.10

RESERVES

General Shortfall Reserve	50.00	50.00	50.00	100.00	100.00	100.00	100.00
Unobligated Reserve	321.63	322.79	315.85	273.22	285.00	10.00	10.00
TN Promise Endowment	-	-	-	-	-	302.22	309.33
Subtotal - Education Acct	371.63	372.79	365.85	373.22	385.00	412.22	419.33
Other Reserves:							
Energy Efficient Schools	90.00	86.66	66.24	19.40	9.20	Unknown	Unknown
After School Programs	17.99	17.97	18.18	19.83	26.30	26.40	26.50
Subtotal - Other	107.99	104.63	84.42	39.23	35.50	26.40	26.50
Total Reserves	\$ 479.61	\$ 477.41	\$ 450.27	\$ 412.45	\$ 420.50	\$ 438.62	\$ 445.83

LOTTERY REVENUE vs. SCHOLARSHIP COSTS



LOTTERY RESERVES

